

## Message Text

PAGE 01 STATE 157960

62

ORIGIN COME-00

INFO OCT-01 ARA-06 ISO-00 EB-07 TRSE-00 L-03 OMB-01 JUSE-00

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FM SECSTATE WASHDC

TO AMEMBASSY ASUNCION PRIORITY

INFO AMEMBASSY BUENOS AIRES PRIORITY

LIMITED OFFICIAL USE STATE 157960

E.O. 11652:N/A

TAGS: BEXP, PA, AR

SUBJECT: YACYRETA HYDROELECTRIC PROJECT, U.S. CONSORTIUM

REF:(A) ASUNCION 1802 (NOTAL); (B) STATE 107708 (NOTAL);

(C) ASUNCION 1726 (NOTAL)

1. MR. GEORGE BORNESHEUER, VICE PRESIDENT, BURNS AND ROE INTERNATIONAL, MET WITH COMMERCE AND BRIEFED US ON STATUS OF THE BURNS AND ROE, ALLIS-CHALMERS, GENERAL ELECTRIC, AND WESTINGHOUSE CONSORTIUM FORMATION FOR THE YACYRETA PROJECT.

2. WE WERE INFORMED THAT THE THREE HYDROELECTRIC EQUIPMENT PRIME CONTRACTORS MET AT THE BURNS AND ROE ORADELL, NEW JERSEY, CORPORATE OFFICE ON JUNE 23 FOR THE PURPOSE OF EVALUATING THE MERITS OF COOPERATION AMONG THE FOUR FIRMS IN PURSUIT OF A NEGOTIATED ALL-U.S. CONTRACT FOR THE POWERHOUSE EQUIPMENT OF YACYRETA-APIPE PROJECT. THIS MEETING WAS CALLED BY BURNS AND ROE AS A LIMITED OFFICIAL USE LIMITED OFFICIAL USE

PAGE 02 STATE 157960

FOLLOW-UP TO ITS EARLIER SUGGESTION THAT YACYRETA MIGHT PROVIDE AN OPPORTUNITY FOR A NEGOTIATED CONTRACT IF U.S. INDUSTRY COULD LEGALLY ARRANGE TO WORK IN SOME FORM OF ASSOCIATION.

3. ALTHOUGH THE PRIMMARY DISCUSSION AT THE JUNE 23 MEETING WAS ON QUESTIONS OF ANTI-TRUST IMPLICATIONNS OF THIS UNPRECEDENTED TYPE OF ASSOCIATION, OTHER SUBJECTS WERE ALSO DISCUSSED. IT WAS AGREED THAT BURNS AND ROE, AS THE DESIGN ENGINEER OF THE ROUP, WILL ACT AS THE LEADER OF THE PPOPOSED CONSORTIUM. ALSO, THE GROUP FEELS THAT SINCE THE FORMAL PRE-QUALIFICATION FOR TENDERING IS SCHEDULED FOR THE END OF THIS YEAR, THE CONSORTIUM MUST BE ORGANIZED, HAVE A PROPOSAL COMPLETED AND READY FOR PRESENTATION WITHIN THE NEXT FIVE MONTHS. FURTHER, THE GROUP WILL BE CONTACTING HARZA, THE YACYRETA PROJECT CONSULTANT, REGARDING THE GROUP'S INTENTION. THE ESTIMATTE OF THE VALUE OF THE YACYRETA MECHANICAL AND ELECTRICAL POWERHOUSE EQUIPMENT SCOPE OF SUPPLY (UP TO THE SUBSTATION) IS AROUND 300 MILLION DOLLARS.

4. AS A RESULT OF BORNSHEUER'S DISCUSSION AT COMMERCE, WE SET UP A MEETING FOR BURNS AND ROE WITH THE ANTI-TRUST DIVISION, U.S. JUSTICE DEPARTMENT, TO DISCUSS THE GROUP'S INTENTIONS AND PROPOSED APPROACH TO BIDDING THIS PROJECT. BORNSHEUER REPORTED THAT HIS MEETING WITH JUSTICE SATSIFIED THE GROUP'S INTIAL CONCERN, AND THAT DETAILED PRESENTATIONS WILL BE MADE TO JUSTICE BY THE FOUR U.S. FIRMS. WE WILL KEEP EMBASSIES INFORMED OF FURTHER DEVELOPMENTS ON THIS SUBJECT.

5. FOR BUENOS AIRES: REFTELS BEING AIR POUCHED TO B.A. INGERSOLL

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